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CURRENT INTELLIGENCE REVIEW

29 March 1954

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Spain is now undergoing a severe economic crisis. The country's slow but steady economic improvement since 1951, marked by two successive bumper harvests and the provision of American loans, was reversed last summer ('53) as a result of severe drought conditions. To avoid a resumption of bread rationing, ended in 1952, the government was forced to buy more than 1,000,000 metric tons of wheat at a cost greater than the total \$85,000,000 received in American economic aid for 1954. In addition, frost damage to the important citrus crop this winter has cost Spain an estimated \$30,000,000 in foreign exchange earnings. Last year's drought also hit Spain's electric power, which is inadequate even in years of abundant rainfall, thus reducing the earnings of large numbers of workers, whose income was already near the bare subsistence level.

These developments threaten the government's economic betterment program, which was moderately successful during 1951-53 in holding down prices by importing essential commodities. The government has recently approved wage hikes averaging 35 percent for most industrial workers. Other inflationary pressures, such as increases

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in coal, cement and steel prices, in electricity and rail freight
rates, are at work and will become more marked as the construction of
bases continues.

In the Spanish view, too much of the US aid fund of \$85,000,000
allotted for 1954 was earmarked for direct military objectives, such
as transportation and munitions production, leaving a meager
\$22,000,000 for purely economic support of the base construction
program. The general public, however, has an exaggerated impression
of the size of forthcoming American economic aid. Spanish minister
of commerce Arburua can be expected to raise these problems on his
visit to Washington next week.